

Bill 40 Testimony

MISC. COM. 345

GRASSROOT INSTITUTE OF HAWAII

June 3, 2020, 10:00 a.m.

Regular Meeting, Honolulu City Council
City Council Chamber

To: Ikaika Anderson, Chair

Ann Kobayashi, Vice Chair

From: Joe Kent, Grassroot Institute of Hawaii Executive Vice President

RE: Bill 40 (2020) — RELATING TO COMMUNITY WORKFORCE AGREEMENTS.¹

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Aloha, Chair Anderson, Vice Chair Kobayahsi and other members of the Honolulu City Council.

While the changes proposed in Bill 40 would mitigate some of the problems with the existing law on community workforce agreements, the Grassroot Institute of Hawaii continues to have concerns regarding the effect of this policy on both the local construction industry and Honolulu taxpayers.

The proposed bill represents an attempt to "correct" Ordinance 19-24 by softening language that previously made CWAs mandatory for city projects in excess of \$2 million.

In testimony on Bill 37, which became Ordinance 19-24, the Grassroot Institute of Hawaii noted that use of CWAs, also known as project labor agreements, would drastically limit the use of nonunion employees on public projects, thereby reducing competition among bidding contractors and increasing costs for Honolulu taxpayers.

Unfortunately, the changes proposed in Bill 40 are not sufficient to allay these concerns. In fact, given the economic devastation facing Hawaii's small businesses in the wake of the state and county coronavirus lockdowns, the council could most help the city's contractors and builders by repealing Ordinance 19-24 altogether.

In testimony on the original ordinance, Jonathan Young, president of the Associated Builders & Contractors, Hawaii chapter, noted that about two-thirds of Hawaii's approximately 4,500

¹ Bill 37, 2019, [http://www4.honolulu.gov/docushare/dsweb/Get/Document-238485/DOC%20\(38\).pdf](http://www4.honolulu.gov/docushare/dsweb/Get/Document-238485/DOC%20(38).pdf). See also [http://www4.honolulu.gov/docushare/dsweb/Get/Document-238486/BILL037\(19\).htm](http://www4.honolulu.gov/docushare/dsweb/Get/Document-238486/BILL037(19).htm).

licensed contractors are non-union, and Bill 37 effectively excluded them from bidding on the county's smaller construction projects.²

Unfortunately, the small changes proposed in Bill 40 do not adequately address the harm to local contractors caused by the city's CWA guidelines. Nor will it be effective in reducing the cost and delay issues that have led many cities on the mainland to abandon CWAs entirely.

Nationwide, states and municipalities have been removing CWA requirements. Last year, Kentucky became the 25th state to welcome all qualified bidders to compete for state construction contracts, since studies have shown that CWAs tend to increase the cost of government projects.

The Beacon Hill Institute found that CWAs increased construction costs per square foot of Ohio schools by 13%.³ A National University System Institute for Policy Research study found similar results, 13-15%, for new school construction in California.⁴

West Virginia,⁵ Massachusetts⁶ and New Hampshire^{7,8} found that the removal of CWA requirements resulted in larger pools of bidders and lower final bids. In New Hampshire, a public project that removed its PLA requirements not only lowered its costs, but elicited lower bids from union contractors.⁹

Making the use of CWAs non-mandatory is not sufficient to address the problem of increased costs, as can be seen in the Hawaii state policy that "encourages" CWAs for public projects

² Jonathan Young, "Testimony in Strong Opposition to Bill 37 (2019)," July 24, 2019, p. 13, [http://www4.honolulu.gov/docushare/dsweb/Get/Document-239256/M-0414\(19\).pdf](http://www4.honolulu.gov/docushare/dsweb/Get/Document-239256/M-0414(19).pdf).

³ Paul Bachman and David G. Tuerck, "Project Labor Agreements and the Cost of School Construction in Ohio," The Beacon Hill Institute, May 2017, p.1, <http://tinyurl.com/k7an7n5>.

⁴ Vince Vasquez, Dale Glaser and W. Erik Bruvold, "Measuring the Cost of Project Labor Agreements on School Construction in California," National University System Institute for Policy Research, 2011, p. 10, <http://tinyurl.com/6pek7mc>.

⁵ Maurice Baskin, "Union-only Project Labor Agreements: The Public Record of Poor Performance," Associated Builders & Contractors, 2005, p. 14, <https://tinyurl.com/y5opagej>.

⁶ David G. Tuerck and Paul Bachman, "Project Labor Agreements and Financing School Construction in Massachusetts," The Beacon Hill Institute, December 2006, p. 23, <http://tinyurl.com/y22vrmgt>.

⁷ "Construction of a New Job Corps Center in Manchester, New Hampshire, Solicitation Number: DOL121RB20590," Federal Business Opportunities, U.S. General Services Administration, Nov. 10, 2009, <https://tinyurl.com/vyofp7x9>.

⁸ The Truth About Project Labor Agreements, "An Apples-to-Apples Comparison of Bid Results for a Federal Project Bid With and Without a Government-Mandated Project Labor Agreement (PLA)," TheTruthAboutPLAs.com, April 18, 2013, <https://tinyurl.com/blo9hzb>.

⁹ "PLA/NoPLA Bid Results," TheTruthAboutPLAs.com, Sept. 9, 2009, <http://thetruthaboutplas.com/wp-content/uploads/2013/04/Bid-Results-of-Manchester-NH-DOL-Job-Corps-Center-bid-with-and-without-a-PLA-042313.pdf>. See also, "Taxpayers win big without federal project labor agreement on New Hampshire Job Corps Center," TheTruthAboutPLAs.com, April 24, 2013, <https://thetruthaboutplas.com/2013/04/24/taxpayers-win-big-without-federal-project-labor-agreement-on-new-hampshire-job-corps-center>.

worth at least \$25 million.¹⁰ Though more rational than the \$2 million threshold of this bill, the state CWA policy still increases the costs of government contracts across the board.

Consider, for example, the cost overruns and delays on the Honolulu rail project or the delays that plagued the University of Hawaii at Hilo College of Pharmacy Building, both of which are CWA projects.

Though the rationale for CWAs is phrased in terms of promoting a skilled local workforce and achieving construction efficiency,¹¹ there is little evidence that it would have the desired effect. The experience with CWA requirements both in Hawaii and nationwide demonstrates that they are associated with rising costs and delays. Nothing in the experience of CWA projects in Hawaii suggests that they are superior in performance and efficiency than non-CWA projects.

With other states abandoning CWAs and PLAs because of their association with noncompetitive bidding, cost overruns and delays, Bill 40 is simply an attempt to "fix" an ordinance that should never have been enacted.

Honolulu took a step in the wrong direction by embracing CWAs for smaller public projects. Rather than trying to amend the law into a less harmful form, the council should consider repealing Ordinance 19-24.

With economists warning that recovery from the coronavirus recession will take years, the council should be looking for ways to save taxpayer funds while promoting local business. Eliminating CWAs/PLAs would help forward both of these objectives.

Thank you for your consideration.

Aloha,

Joe Kent
Executive vice president
Grassroot Institute of Hawaii

¹⁰ Hawaii Gov. Neil Abercrombie, "Administrative Directive No. 12-05: Use of Project Labor Agreement for State Construction Projects," May 22, 2012, <https://budget.hawaii.gov/wp-content/uploads/2012/11/AD-12-05-Use-of-Project-Labor-Agreements-for-State-Construction-Projects.pdf>.

¹¹ Bill 37, 2019, [http://www4.honolulu.gov/docushare/dsweb/Get/Document-238485/DOC%20\(38\).pdf](http://www4.honolulu.gov/docushare/dsweb/Get/Document-238485/DOC%20(38).pdf). See also [http://www4.honolulu.gov/docushare/dsweb/Get/Document-238486/BILL037\(19\).htm](http://www4.honolulu.gov/docushare/dsweb/Get/Document-238486/BILL037(19).htm).

From: CLK Council Info
Sent: Wednesday, June 3, 2020 8:59 AM
Subject: Council/Public Hearing Speaker Registration/Testimony

Speaker Registration/Testimony

Name Elisabeth Wilson
Phone 808-478-8204
Email betsy@alakona.com
Meeting Date 06-03-2020
Council/PH Committee Council
Agenda Item Bill 40
Your position on the matter Oppose
Representing Self
Organization
Do you wish to speak at the hearing? No

Written Testimony Strong opposition. Many letters in opposition have been submitted. Many more individuals opposed than for and the council continues to vote in favor. I am appalled that the majority of individuals and organizations who oppose have no power over the unions!

Testimony Attachment

Accept Terms and Agreement 1

IP: 192.168.200.67